DOCUMENT RESUME

ED 434 218 CE 079 170

AUTHOR	Akhavan, Kambiz
TITLE	Business Ethics. Digest Number 98-1.
INSTITUTION	Ewing Marion Kauffman Foundation, Kansas City, MO. Center for Entrepreneurial Leadership.
PUB DATE	1998-02-25
NOTE	4p.
AVAILABLE FROM	For full text: <http://www.celcee.edu>.
PUB TYPE	Information Analyses (070)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Adult Education; Adults; *Business; Business Education; Ethical Instruction; *Ethics; Honesty; Integrity; Success; *Values; Values Education; Vocational Education
IDENTIFIERS	*Business Ethics

ABSTRACT

Discussion of business ethics rests on rather ambiguous grounds. What one person considers highly unethical can be legitimate in another person's eye. Many businesses operate under tenets that, although not illegal, most people would consider unethical. Having the ability to distinguish between ethical and unethical practices does not guarantee that a business owner will consistently choose the ethical decision. Business owners need to realize the tremendous benefits of operating an ethical company and severe disadvantages of using unethical operations. Guidelines that can help them create or improve the ethical standards within their companies include the following: (1) if the company has committed a serious error, do not attempt to cover it up; (2) create a believable public commitment to ethical operations; (3) establish a strategy to communicate the ethics guidelines to the staff; (4) build trust with employees and constantly monitor the ethics program; (5) hire people who can uphold the company's high ethical standards; and (5) realize that company executives are role models. Trust is one of the company's most vital assets. Maintaining the highest ethical standards adds to a company's value and success. Consequences of success in an unethical business are short lived. If customers or clients learn a company cheats, they may never return. A business cannot operate successfully if employees abuse sick days, cut corners on quality, lie to colleagues, cover up incidents, deceive customers, and take credit for co-workers' ideas. (YLB)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 434 218

Business Ethics
Digest Number 98-1

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY

M B Dockendorf

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

CE079170

BEST COPY AVAILABLE

CELCEE

Kauffman Center for Entrepreneurial Leadership Clearinghouse on Entrepreneurship Education
http://www.celcee.edu

Kauffman Center for Entrepreneurial Leadership
4801 Rockhill Road
Kansas City, MO 64110-2046
(888) 423-5233

Digest

February 25, 1998

DIGEST Number 98-1

Business Ethics

By Kambiz Akhavan

The goal of any for-profit business is obviously to make money-and lots of it. The issue that this digest intends to raise is whether or not the pursuit of profit should continue without regard to ethical considerations. Business ethics, as a topic of discussion and study, has been expanding rapidly since the 1980s. The Ethics Resource Center reports that the percentage of American businesses with codes of ethics has jumped from 13% to 73% over the last decade (Haddad, 1997). Apparently, the term business ethics-once considered an oxymoron-has become a buzzword in today's economy. Everyone from established multi-national corporations to start-up entrepreneurs needs to be aware of the scope and relevance of this growing issue and its various nuances.

The entire discussion of business ethics still rests on rather ambiguous grounds. Often, what one person considers highly unethical can be absolutely legitimate in another person's eyes. Many businesses owners feel that as long as the law is not violated, then anything goes. Despite the subjectivity of many ethical issues, the following activities are almost unanimously considered unethical: breaking the law, misleading consumers, cheating on taxes, exploiting labor, and harming the environment.

Many businesses operate under tenets that, although not illegal, most Americans would still consider unethical. Consider that between 1990 and 1995, workers' average pay rose by 16% in the United States, while corporate profits jumped by 75%, and chief executives' average annual income increased by 92%. These statistics illustrate that the motto "spread the wealth" rarely applies to corporate America. The qualifier "rarely" must be emphasized since several mega-corporations do weigh ethical considerations heavily. For example, billionaire finance wizard George Soros says that capitalism fosters "too much competition and too little cooperation." (Lloyd, 1997 p.27). He always tries to encourage ethical practices, and he also regularly gives huge sums of money to small, progressive charities. Other well-known "alternative capitalists" include: Paul Newman of Newman's Own - a company which gives 100% of its after-tax profits to charity, the board members of international environmental groups such as Grenpeace, and people like Aaron Feuerstein - a wealthy executive who continued to pay his employees' salaries for 90 days even though the factory where they worked had burned down (Vaughn, 1997).

Having the ability to distinguish between ethical and unethical practices does not always guarantee that a business owner will consistently choose the ethical decision. Business owners may recognize that certain activities are unethical and still continue to do them. For example, an Inc. Magazine poll asked business owners if they would skirt the intent of the law without actually violating the letter of the law; many of them said yes. In fact, 57% would do so against the IRS; 50% against their competitors; 38% against their health insurance company; 31% against the Environmental Protection Agency; and 7% against their own customers (Caggiano, 1992). Rather than simply recognizing the difference between ethical and unethical activities, business owners need to realize the tremendous benefits of operating an ethical company, and the severe disadvantages of utilizing unethical operations.

The following guidelines will help business owners create and/or improve the ethical standards within their respective companies:

- If the company has committed a serious error, DO NOT attempt to cover it up. "An

n saves you lots of trouble down the road. " states Dr. William Woo, a journalism professor at Berkeley and Stanford. He warns that, "Nothing is more damaging to credibility than the retraction or modification of a story." (LaGanga, 1997 p. 11)

- Create a believable public commitment to ethical operations. Have it signed by the chief executive and display it prominently.
- Establish a strategy to communicate the ethics guidelines to the staff.
- Build trust with employees and constantly monitor the ethics program (Groves, 1997).
- Give employees the opportunity to participate in the development of corporate policies and decisions that affect their lives. This inclusion will boost morale and increase productivity.
- Judge corporate economic policies and decisions on whether they protect or undermine the dignity of the people affected. Remember that employees also have needs and dreams, problems and potential.
- Hire people who can uphold your company's high ethical standards. A worker can always follow the rules, but no one can change their employees deep-seated personality traits. (Bernardin, 1996).
- Realize that company executives are also role models. These individuals must create and foster the proper office culture in which all employees can thrive. Many business analysts maintain that a strong office culture is the most vital aspect of a successful company.
- Recycle. Pay employees to volunteer. Support charities. Host company outings. If workers associate their boss with fairness, idealism, and friendliness, then they will invariably treat their employer with more respect. A happy employee is a good employee.

In any business, the bottom line should not come at any price. Stockholders and business partners have much to gain through the implementation of an ethics program. Since trust is one of the most vital assets than a company can possess, then maintaining the highest ethical standards will only add to a company's value and success. Besides, the consequences of success in an unethical business are short lived. If the customers or clients learn that a company cheats, they may never return. Once the employees discover that their boss lies, then a detrimental business environment is established where lying is tolerated-or worse, in which lying is linked to success (Brokaw and Cook, 1992). A 1997 survey conducted by the Ethics Officers Association indicates that 56% of workers feel some pressure to act illegally or unethically, and that 47% admitted to having engaged in one or more illegal and/or unethical acts in the previous year. A business simply cannot operate successfully if employees: abuse sick days cut corners on quality, lie to colleagues, cover up incidents, deceive customers, and take credit for a coworkers ideas (Groves, 1997).

By creating and enforcing ethical parameters, not only does a business stand to gain profit, prestige, and employee loyalty, but that business also helps to make its world a better and more honest place

References

Bernardin, J. (1996) Ethics in corporate America: Formula for success. *America*, 175 (4328), 5-7. **c980233***

Brokaw, L. & Cook, S. (n.d.). The ethics of bootstrapping. Inc. Online. [WWW document]. http://www.inc.com/inc-magazine/archives/09920871.html. c980391

Caggiano, C. (n.d.). Can you afford to be ethical? *Inc. Online*. [WWW document]. http://www.inc.com/incmagazine/archives/12920161.html. c980244

Groves, M. (1997, November 3). Honor system. *Los Angeles Times. Careers-Business Part II*, 3,15. c980290

Haddad, A. (1997, November 3). Values judgment. *Los Angeles Times. Careers-Business Part II*, 16-19. c980291

LaGanga, M. (1997, November 3). The truth, the whole truth and nothing but... *Los Angeles Times. Careers-Business Part II*, 11-12. c980241

Lloyd, J. (1997) Ethics man? Perhaps... (in business). *New Statesmen*, 126(4327), 26-29. c980289

*** CELCEE Document Number**

CELCEE is an Adjunct ERIC Clearinghouse funded by the Kauffman Center for Entrepreneurial Leadership. The opinions expressed herein do not necessarily reflect those of the sponsoring institutions, and no official endorsement should be inferred.